AR11

MICC Investments Limited
Annual Report 1979

Si vous désirez recevoir ce rapport en français, veuillez vous adresser au :

Secrétaire

Les Placements MICC, Limitée
C.P. 14, 401 rue Bay, chambre 1200
Toronto, Ontario M5H 2Y4

Highlights	1979	1978	% change
	$(000's)	$(000's)	
Premiums Written	**$40,846**	$44,385	**(8.0)**
Underwriting Revenue	**25,346**	20,940	**21.0**
Investment Income	**29,661**	22,331	**32.8**
Losses Incurred on Claims	**28,200**	20,579	**37.0**
Net Earnings	**15,667**	13,563	**15.5**
Net Earnings Available to Common Shareholders	**9,762**	9,513	**2.6**
Total Assets	**339,758**	307,834	**10.4**
Shareholders' Equity	**176,023**	161,775	**8.8**
Earnings Per Common Share	**$ 1.62**	$ 1.66	**(2.4)**
Earnings Per Common Share (fully diluted)	**1.46**	1.65	**(11.5)**
Common Dividends Paid	**.72**	.56	**28.6**

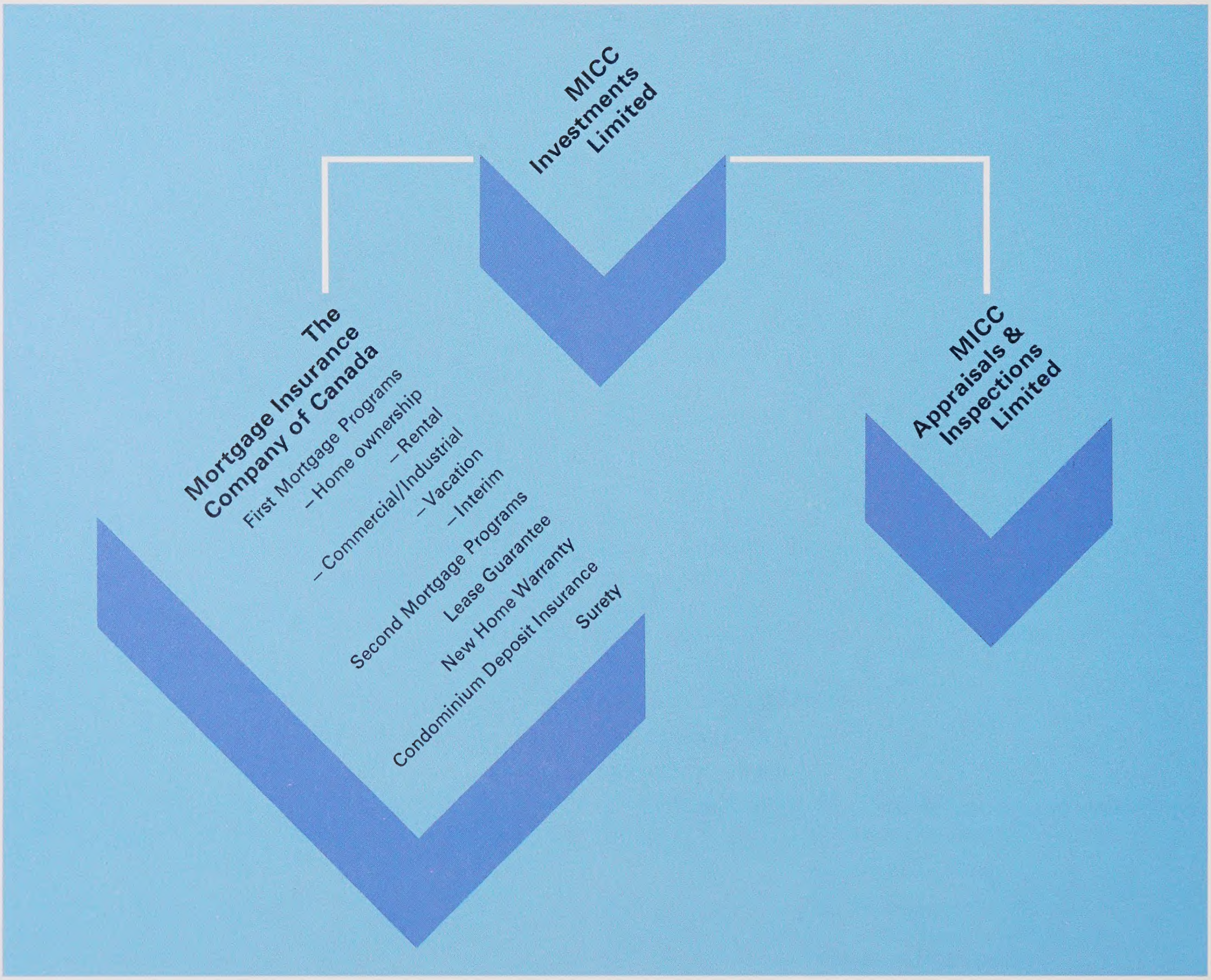
Contents

MICC Investments Limited is a public company whose shares are listed for trading on the Toronto and Montreal stock exchanges. 99 percent of the shares are held in Canada. MICC Investments Limited operates in all provinces through two subsidiary companies, The Mortgage Insurance Company of Canada (MICC) and MICC Appraisals & Inspections Limited.

The Company's insurance programs enable investors to realize the higher returns available in real estate investment while minimizing the risk. The lender enjoys substantial protection against loss in the event the borrower does not make his mortgage payments. MICC has provided fifteen years of service to lenders, builders, real estate brokers, investors and homebuyers. The Company has insured the mortgages on over half a million Canadian homes. There are fourteen offices coast-to-coast with over 500 approved lender clients.

MICC insurance protection is available for first and second mortgages on houses, rental projects, commercial and industrial properties, good quality vacation homes, land mortgages and interim loans. The Company has developed a wide product range that will continue to grow and expand. As leader in the mortgage insurance industry we continue to search for new services. Recent examples are Condominium Deposit, New Home Warranty programs and in 1980, Surety. In its fifteen years of existence, MICC has developed a highly skilled staff to provide fast and efficient service to the industry. This team, numbering 315 people at year end is a very important asset to MICC.

MICC Appraisals & Inspections Limited is a new subsidiary, established in 1979, offering property appraisals and inspections on a national scale. It has professionally qualified appraisers and inspectors in our fourteen offices and a total staff of 85 at year end.



MICC Investments Limited
Board of Directors

(as at February 29, 1980)

Robert A. Bandeen, President and Chief Executive Officer
Canadian National Railway Company
Montreal, Quebec

Michel F. Belanger, President and Chief Executive Officer
National Bank of Canada
Montreal, Quebec

R. C. Brown, Partner
Blake, Cassels & Graydon
Toronto, Ontario

John Cochran, Consultant
The Construction Materials Group of Domtar Inc.
Montreal, Quebec

H. Reuben Cohen, Q.C.
Barrister and Solicitor
Moncton, New Brunswick

* **Harold Corrigan,** Vice-President, Corporate Relations
Alcan Aluminum Limited
Montreal, Quebec

Stan M. Davison
Vice-Chairman
Bank of Montreal
Toronto, Ontario

* **S. E. Eagles,** Chairman and President
Marathon Realty Company Limited
Toronto, Ontario

* **Gardner English,** President
Kopas & Burritt Funding Inc.
Toronto, Ontario

* **Raymond Lavoie,**
Chairman of The Board
Credit Foncier-Franco Canadien
Montreal, Quebec

R. M. MacIntosh, Executive Vice-President
The Bank of Nova Scotia
Toronto, Ontario

George S. May, Chief Executive Officer, Canadian Co-operative Credit Society Limited
Toronto, Ontario

Henry B. Rhude, Q.C. Chairman, and Chief Executive Officer
Central and Eastern Trust Company
Halifax, Nova Scotia

* **Reginald T. Ryan,** President
MICC Investments Limited
Toronto, Ontario

Ralph T. Scurfield, President
Nu-West Group Limited
Calgary, Alberta

G. D. Sutton, President
Canadian Enterprise Development Corporation Limited
Toronto, Ontario

G. J. van den Berg
Company Director
Toronto, Ontario

* **B. G. Willis,** Executive Vice-President, Greenshields Incorporated, Toronto, Ontario

MICC Investments Limited
Executive Officers

Reginald T. Ryan
President

David C. Toms
Vice-President Finance

J. Donald Bergeron
Secretary

The Mortgage Insurance Company of Canada
Executive Officers

Reginald T. Ryan
President

Georges W. Carpentier
Vice-President and Chief Underwriter

James McAvoy
Senior Vice-President

J. Donald Bergeron
Secretary

David C. Toms
Vice-President Finance

MICC Appraisals & Inspections Limited
Executive Officers

Reginald T. Ryan, President

J. Donald Bergeron, Secretary

*Member of the Executive Committee

Net earnings for the year totalled $15.7 million compared to $13.6 million in 1978. After payment of dividends on preferred shares, net earnings available for common shareholders were $1.62 per share, compared to $1.66 in 1978, and on a fully diluted basis, $1.46 per common share compared to $1.65 in 1978.

During 1979, dividends of 72¢ per share were paid to common shareholders. The dividend rate was increased in the third quarter to 19¢ which represents 76¢ per share on an annualized basis. Total dividends paid to common shareholders in 1979 amounted to $4.4 million equal to 45% of earnings available to common shareholders.

Capital – On September 26, 1979, a rights offering was made to common shareholders to purchase one new share for each four shares held, at $10.00 per share. The issue closed on October 19th and $14.3 million in new capital was raised – a subscription rate of 99.61%.

Last December, the Federal Department of Insurance announced a revision to the capital requirement formula of The Mortgage Insurance Company of Canada, as an interim measure, which results in a reduction of approximately 7% in our required capital. As at December 31, 1979, the reduction amounts to approximately $10 million. It is expected that a more "permanent type" reduction will be determined in 1980.

It appears, at this time, that capital now available will be adequate to support new business expected to be written in 1980. However we will likely be seeking new capital late in the year or early in 1981 as our policy is to have funds in place well in advance of requirements.

Revenue Recognition – With fifteen years experience now on the books of The Mortgage Insurance Company of Canada, the data on the incidence of claims is providing a better source of information on which management is able to base its estimates of the amount of risk in each year of coverage. The rates or formulae under which premiums are earned relate to the amount of such risk. For example, recent experience shows that virtually all mortgage insurance claims occur during the first six years of the policy.

Based on this experience, the Company has adopted a revised formula for the earning of certain mortgage insurance premiums written by The Mortgage Insurance Company of Canada since 1974. The revised formula more closely relates the recognition of revenue with the incidence of mortgage insurance claims. For example, for a 20-year policy, 70% of the premium is earned in the first six years compared with 54% under the previous formula. The revised formula is conservative. There remains substantial unearned revenue should future experience show that claims are occurring later in the life of a policy than we are anticipating.

This change was put into effect in the fourth quarter of 1979. While the change had a minor effect on net earnings in 1979, it will have a significant positive effect on net earnings in future years.

Investments – The investment portfolio made a substantial contribution to the earnings of the Company again in 1979. While the portfolio, including mortgages, increased only marginally to $277.5 million at year end from $269.1 million at December 31, 1978, pre-tax investment income increased by 33% to $29.7 million from $22.3 million. At year-end the market value of the portfolio stood at 104.5 percent of book value compared with 106.6 percent a year earlier.

The Mortgage Insurance Company of Canada

In 1979, the Mortgage Insurance Company of Canada, the principal subsidiary of MICC Investments Limited completed its 15th year of operation. They have been eventful years, which saw annual volume of new business grow from $32 million in 1964 to $3.9 billion in 1979, assets increase from $2 million to $317 million and insurance in force increase to $13.5 billion at the end of 1979. We are also very proud of the fact that our insurance programs have helped over 500,000 Canadians to buy homes.
We look forward to many more years of progress in the mortgage insurance field.

New Business – Operations of MICC continued to be adversely affected by less than buoyant conditions in

the real estate industry during 1979. The year was marked by a decrease in new housing starts, high interest rates and continuing high unemployment in many parts of the country. New housing starts fell to 197,049, the lowest level since 1970. While there was a major drop-off in new rental projects, fortunately "housing for sale" starts were at a good level and the re-sale market was active again in most cities across the country. For the most part, price increases were moderate, where they occurred.

MICC issued commitments to insure in an amount of $3.9 billion, approximately 20% below the volume for the previous year. However, because of the significant volume of outstanding commitments at the end of 1978, which became insured loans in 1979, net premiums written decreased only 8% to $40.8 million. At year end mortgage insurance in force amounted to $13.5 billion compared to $10.7 billion at the end of 1978 and the liability under our lease guarantee insurance program was $72 million compared to $50 million at the end of the previous year.

Claims Losses – During the past several years, MICC staff have worked closely with lenders with a view to upgrading underwriting criteria and standards. It is expected that this work will bear beneficial results both for lenders and MICC in the future.

MICC personnel and lenders have also worked diligently in the surveillance of accounts in default and settlement of claims. Although losses incurred on claims increased to $28.2 million in 1979 from $20.6 million in 1978, given the economic climate, losses probably would have been much higher without the co-operation of lenders in their underwriting and arrears collection.

Premium Increase – Although increasing benefits will flow from the effort and attention lenders and MICC are paying to underwriting and account administration, it became evident that a significant premium increase was needed. Effective February 15th, 1980, major revisions were made in the premium structure for house loans. The average increase is in the magnitude of 25% – 35%. While the impact of these increases will not be substantial on net earnings for 1980, it will become more significant in subsequent years.

Real Estate and Mortgages – Despite an active sales program, our real estate and mortgage portfolios grew during the year. Both result from claims – i.e. real estate from settlement of claims and mortgages often are taken back on a sale. We are optimistic that sales will at least equal acquisitions during 1980.

Surety – At the beginning of 1980, MICC commenced operations in the surety field. This is considered to be a logical extension of our current activities in the area of mortgage insurance and we believe that our regional office organization and knowledge of the construction and land development fields will enable us to provide the industry with a responsive new source to meet its needs.

1980 Outlook – The housing outlook for 1980 is clouded by exceedingly high mortgage interest rates, currently in the 14% – 15% range. At these levels, new rental projects are virtually impossible and builders are very cautious about starting new houses for sale. There is hope that interest rates will decline during the year and if this decline materializes, we feel that 175,000-185,000 new starts could be achieved in 1980, still below that achieved in 1979.

It is expected that new business volume will be down again in 1980, in line with our outlook. Losses will continue to be a problem although we expect continued moderation in the rate of increase in losses during this year. A strong effort will be expended in the real estate area and we have high hopes that our inventory will show some reduction from the current level. Close surveillance of operating costs will be maintained and, with no major expansion in mind, operating expenses of the insurance company should increase at a slower rate than 1979.

Additional details on operations of MICC will be found on pages 16 to 27.

MICC Appraisals & Inspections Limited

On July 1st, 1979, a new subsidiary, MICC Appraisals & Inspections Limited, commenced operations. This company will provide professional appraisal and inspection services to Approved Lenders and other clients on a fee basis. It will also carry out assignments for MICC on properties acquired on payment of claims and on new construction cases. The primary objective is to provide a service to lenders to encourage more use of our insurance facilities. In addition, we hope to improve the overall quality of new business and therefore to reduce losses. While the profit margin is not large, we expect that the company will make a modest contribution to earnings. Details will be found on page 28.

In February 1980 Mr. Fred H. McNeil resigned from the Board of Directors. Mr. McNeil has been a valuable Board Member over the past 8 years and I would like to thank him sincerely for his contribution to the success of our Company. The Directors have elected two new members to the Board Mr. S. M. Davison and Mr. H. B. Rhude, Q.C.

During the past year, our staff in Regional Offices across the country and Head Office have worked very diligently to provide the highest possible level of service to our many clients. They have achieved a high level of success in their endeavours and thus have enabled the Company to retain its leadership position in this industry. I would like to thank each of them sincerely, for a fine effort.

R. T. RYAN
President
MICC Investments Limited
February 20, 1980

MICC Investments Limited

Consolidated Balance Sheet

as at December 31, 1979

Assets		1979	1978
		$000's	$000's
Cash and Accounts Receivable	Cash	**1,149**	752
	Interest accrued and sundry receivables	**10,262**	4,287
	Premiums receivable	**2,132**	3,073
	Income taxes recoverable	**1,650**	533
	Due from reinsurers	**244**	294
		15,437	8,939
Real Estate		**43,951**	26,772
Investments	Treasury bills and other short-term securities – at cost	**30,010**	32,597
	Bonds and debentures – at amortized value (market value $85,819,780; 1978 – $66,961,485)	**91,351**	70,622
	Preferred stocks – at market value (cost $70,453,653; 1978 – $88,079,206)	**67,828**	91,297
	Common stocks – at market value (cost $61,928,820; 1978 – $54,703,157)	**75,786**	67,519
	Mortgages – at amortized value	**12,493**	7,105
		277,468	269,140
Other Assets	Loan to trustees under employee stock purchase plan (note 6)	**79**	131
	Other	**843**	555
	Capital expense – at amortized cost (notes 3 and 4)	**1,980**	2,297
		2,902	2,983
		339,758	307,834

Signed on behalf of the Board

R. T. RYAN, Director

S. E. EAGLES, Director

Liabilities		1979	1978
		$000's	$000's
Accounts Payable	Due to reinsurers	36	25
	Provision for claims	14,425	10,003
	Accounts payable and accrued liabilities	1,905	1,190
	Interest payable on income debentures	159	205
	Premium taxes payable	859	986
	Income taxes payable	—	926
	Due for securities purchased	328	161
		17,712	13,496
Other Liabilities	Deferred revenue (note 2)	122,628	106,725
	Deferred income taxes	11,729	10,838
	Income debentures (note 3)	11,666	15,000
		146,023	132,563
		163,735	146,059
Shareholders' Equity	**Capital Stock** (note 4)	118,718	105,794
	Retained Earnings (note 5)	48,700	43,777
		167,418	149,571
	Unrealized Gain on Stocks	8,605	12,204
		176,023	161,775
		339,758	307,834

MICC Investments Limited

Consolidated Statement of Earnings

For the Year Ended December 31, 1979

		1979	1978
		$000's	$000's
Revenue	Net premiums written	**40,846**	44,385
	Application fees	**2,784**	2,834
	Inspection service and appraisal fees	**671**	320
		44,301	47,539
	Less: Increase in deferred revenue	**18,955**	26,599
	Underwriting revenue	**25,346**	20,940
Investment Income	Interest and amortization	**11,495**	8,646
	Dividends	**11,528**	9,653
	Realized gain on disposal of investments	**6,403**	3,420
	Other (note 7)	**235**	612
		29,661	22,331
		55,007	43,271
Expenses	Insurance underwriting and policy issuance expenses	**6,102**	4,695
	Premium taxes	**950**	1,024
		7,052	5,719
	Less: Increase in deferred expenses	**3,051**	2,224
		4,001	3,495
	Losses on claims incurred	**28,200**	20,579
	Other operating expenses	**5,072**	2,556
	Income debenture interest and amortization expense (note 3)	**1,194**	1,157
		38,467	27,787
Earnings Before Income Taxes		**16,540**	15,484
Provision for Income Taxes	Current	**(691)**	977
	Deferred	**1,564**	944
		873	1,921
Net Earnings for the Year		**15,667**	13,563
Earnings per Common Share	Basic earnings per share	**$1.62**	$1.66
	Fully diluted earnings per share	**$1.46**	$1.65
	Weighted daily average number of common shares outstanding	**6,028,641 shs.**	5,719,680 shs.

Consolidated Statement of Unrealized Gain on Stocks

For the Year Ended December 31, 1979

		1979	1978
		$000's	$000's
Unrealized Gain on Stocks	Beginning of year	**12,204**	7,209
	Unrealized gain (loss) on stocks for the year	**(4,799)**	6,573
		7,405	13,782
	Deferred income taxes	**1,200**	(1,578)
Unrealized Gain on Stocks	End of year	**8,605**	12,204

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1979

		1979	1978
		$000's	$000's
Retained Earnings	Beginning of year	**43,777**	37,588
	Net earnings for the year	**15,667**	13,563
		59,444	51,151
	Amortization of capital expenses, less related income taxes (note 4)	**295**	113
	Expenses on issue of common shares	**198**	—
	Loss (gain) on purchase of preferred shares	**(55)**	8
	Cash dividends –		
	Preferred	**5,905**	4,050
	Common	**4,401**	3,203
		10,744	7,374
Retained Earnings	End of year	**48,700**	43,777

MICC Investments Limited

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1979

		1979	1978
		$000's	$000's
Source of Funds	Operations –		
	Net earnings for the year	**15,667**	13,563
	Increase in net deferred revenue (note 2)	**15,903**	24,238
	Income taxes deferred	**1,564**	944
	Depreciation and amortization	**257**	174
	Funds generated from operations	**33,391**	38,919
	Common shares issued (net of expenses)	**14,145**	32
	Preferred shares issued (net of expenses)	—	43,240
	Recovery of income taxes on share issue expenses	**340**	—
	Increase in accounts payable	**4,216**	4,165
	Other	**239**	117
		52,331	86,473
Use of Funds	Increase in real estate	**17,179**	15,140
	Increase in cash and accounts receivable	**6,498**	900
	Purchase of fixed assets	**523**	458
	Payment of income debentures	**3,334**	—
	Dividends –		
	Preferred shares	**5,905**	4,050
	Common shares	**4,401**	3,203
	Purchase of preferred shares	**1,364**	1,091
		39,204	24,842
	Funds Available for Investment	**13,127**	61,631
Investment Funds	Beginning of year	**269,140**	200,936
		282,267	262,567
	Unrealized gain (loss) on stocks for the year	**(4,799)**	6,573
Investment Funds	End of year	**277,468**	269,140

1. Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The application of these principles is set out for the following significant items:

Principles of consolidation – The consolidated financial statements of MICC Investments Limited include the accounts of its subsidiaries, The Mortgage Insurance Company of Canada, MICC Appraisals & Inspections Limited and MICC Properties Limited (formerly Charlotte Properties Limited).

Premiums – Net premiums written are deferred and then taken into underwriting revenue as earned over the life of the related policies. Prior to 1974, the majority of policies were written for a term of fifteen years; since then the majority of policies have been written for twenty years. The rates or formulae under which premiums are earned relate to the amount of risk in each year of coverage. The amount of risk in each year of coverage is projected by management based primarily on the past incidence of losses and the formulae under which premiums are earned are adjusted periodically in accordance with such estimates.

Application fees – Application fees received on insurance policies written are taken into income as received.

Underwriting and policy issuance expenses and premium taxes – Underwriting and policy issuance expenses and premium taxes in excess of application fees and commission income are deferred and then amortized against premiums as the premiums are earned.

Losses on claims incurred – Losses on claims incurred represents the difference between the amounts claimed by insureds and estimated recoveries from the sale of real estate. Provisions for losses are made when it is apparent that defaults by borrowers will result in claims. An additional provision, based on past experience, is also made on certain other loans in default.

Investment income –

(a) Treasury bills and other short-term securities – Interest is recorded as income as it accrues. Realized gains and losses are taken into income.

(b) Bonds, debentures and mortgages – Interest is recorded as income as it accrues. The premium or discount between cost and maturity value is amortized into income over the period to maturity. A gain or loss on the sale of a bond, debenture or mortgage is deferred and then amortized over the term to maturity of the security sold.

(c) Stocks – Dividends are recorded as income on the ex-dividend date. Gains and losses on disposal of stocks are taken into income when realized. Unrealized gains and losses on stocks are accounted for in a special statement (consolidated statement of unrealized gain on stocks), the balance of which is transferred to shareholders' equity.

Real estate – Real estate is carried in the accounts at its estimated realizable value after deduction of real estate commission and other sales related expenses.

2. Deferred Revenue

Deferred revenue consists of deferred premiums, after deduction of deferred underwriting and policy issuance expenses and premium taxes.

3. Income Debentures

Income debentures consist of three series. Series A and B, in amounts of $1,333,000 and $5,333,000 respectively, mature on September 30, 1981 with mandatory prepayment as to 50% on September 30, 1980. Series C in the amount of $5,000,000 matures on March 31, 1985 with mandatory prepayment as to 33.34% on March 31, 1983 and March 31, 1984. Interest is payable at the rate of 8¼% on Series A debentures, at 50% of the prime bank rate plus 2.5% on Series B debentures, and at 7½% on Series C debentures. Interest on these debentures is not deductible in computing taxable income.

Costs incurred in connection with these issues have been capitalized and are being amortized against earnings on a straight-line basis over the terms of the debentures. As at December 31, 1979, unamortized capital expenses relating to income debentures amounted to $44,872.

4. Capital Stock

The authorized, issued and fully paid capital stock of the company consists of:

Authorized –	1979	1978
3,951,600 (1978 – 3,951,600) first preferred shares issuable in series		
Unlimited (1978 – unlimited) second preferred shares issuable in series		
Unlimited (1978 – unlimited) common shares without par value		
Issued and fully paid –		
728,000 (1978 – 752,000) 10% first preferred shares Series A	**$ 18,200,000**	$ 18,800,000
200,000 (1978 – 200,000) 7¾% first preferred shares Series B	**5,000,000**	5,000,000
947,250 (1978 – 980,000) 8⅝% first preferred shares Series C	**23,681,250**	24,500,000
782,975 (1978 – 800,000) 8% second preferred shares Series A	**19,574,375**	20,000,000
7,192,718 (1978 – 5,719,680) common shares	**52,262,293**	37,493,803
	$118,717,918	$105,793,803

(a) PREFERRED SHARES

(i) *First preferred shares Series A* – 800,000 of first preferred shares were issued at $25 per share as 10% cumulative redeemable first preferred shares Series A, of which 728,000 were outstanding at December 31, 1979.

The 10% cumulative redeemable preferred shares Series A are subject to mandatory sinking fund redemption at the issue price for:

(i) 24,000 shares on March 15 in each of the years 1979 to 1981 inclusive;

(ii) 56,000 shares on March 15 in each of the years 1982 to 1986 inclusive; and

(iii) 72,000 shares on March 15, 1987 and each year thereafter.

Commencing March 15, 1982 the company may increase any annual sinking fund by 24,000 shares. The company is entitled to anticipate sinking fund requirements by purchasing shares in the market at prices not exceeding the redemption price. Subsequent to March 15, 1981 the company may redeem shares not required for sinking fund purposes at a premium of 5%, declining annually thereafter to the issue price on March 15, 1986.

During 1979 the company acquired 24,000 preferred shares Series A to meet sinking fund requirements to March 15, 1979.

(ii) *First preferred shares Series B* – 200,000 of first preferred shares were issued at $25 per share as 7¾% cumulative redeemable first preferred shares Series B, all of which were outstanding at December 31, 1979.

The 7¾% cumulative redeemable preferred shares Series B are subject to mandatory sinking fund redemption at the issue price for 66,800 shares on March 31, 1983 and 66,600 shares on March 31, 1984 and March 31, 1985.

The company is entitled to anticipate sinking fund requirements by purchasing shares in the market at prices not exceeding the redemption price. Subsequent to March 31, 1982 the company may redeem shares not required for sinking fund purposes at a premium of 3%, declining annually thereafter to the issue price on March 31, 1985.

(iii) *First preferred shares Series C* – 1,000,000 of first preferred shares were issued at $25 per share as 8⅝% first preferred shares Series C, of which 947,250 were outstanding at December 31, 1979.

The first preferred shares Series C are non-redeemable prior to March 31, 1983 and are subject to a purchase fund under which the company shall make all reasonable efforts to purchase 10,000 shares in each calendar quarter at a price not exceeding the issue price plus cost of purchase. This obligation is cumulative from quarter to quarter but to the extent not satisfied on December 31st of each calendar year, is extinguished. Subsequent to March 30, 1983, the company may redeem shares not required for purchase fund purposes at a premium of 5%, declining annually thereafter to the issue price on April 1, 1988.

During 1979, the company acquired 32,750 first preferred shares Series C to meet 1979 purchase fund requirements.

(iv) *Second preferred shares Series A* – 800,000 of second preferred shares were issued at $25 per share as 8% cumulative redeemable convertible second preferred shares Series A, of which 782,975 were outstanding at December 31, 1979.

The second preferred shares Series A are non-redeemable prior to December 31, 1983 and are subject to a purchase fund under which the company shall make all reasonable efforts to purchase in each calendar quarter, commencing with the calendar quarter ending March 31, 1984, 0.75% of the difference between the number of second preferred shares Series A originally issued and the number of shares converted prior to such calendar quarter at a price not exceeding the issue price plus costs of purchase. This obligation is cumulative from quarter to quarter, but to the extent not satisfied on December 31 of each calendar year, is extinguished. Subsequent to December 31, 1983 the company may redeem shares not required for purchase fund purposes at a premium of 5%, declining annually thereafter to the issue price on December 31, 1988.

The second preferred shares Series A are convertible on or before December 31, 1988 into fully paid common shares, at the holder's option, at a conversion price of $10.886 per common share on the basis of approximately 2.296 common shares for each second preferred share held.

During 1979, 17,025 second preferred shares Series A were converted into 38,219 common shares.

(v) *Issuance costs* – Costs incurred in connection with the issuance of preferred shares have been capitalized and are being amortized against retained earnings over the estimated term of the shares on a weighted average basis. As at December 31, 1979, unamortized capital expenses relating to preferred shares amounted to $1,934,505.

(b) COMMON SHARES –

Common shares issued during 1979 were as follows:

(i) 1,429,494 common shares were issued for a cash consideration of $14,294,940 pursuant to a rights offering in which common shareholders could subscribe for one additional share for every four shares held;

(ii) 38,219 common shares were issued for a cash consideration of $425,625 on conversion of second preferred shares Series A; and

(iii) 5,325 common shares were issued for a cash consideration of $47,925 under the employee stock purchase plan.

A non-assignable stock option for the purchase of 12,000 common shares is held by a director of the company, and is exercisable until December 31, 1980 at a price of $9.00 per share.

5. Retained Earnings

Retained earnings includes an amount of $13,377,675, representing an appropriation of retained earnings in The Mortgage Insurance Company of Canada as required by the Department of Insurance of Canada. This amount is not available for distribution to shareholders.

6. Employee Stock Purchase Plan

Loans made to two officers, one of whom is also a director, under the employee stock purchase plan, amounted to $26,995 as at December 31, 1979.

7. Foreign Exchange

Accounts in United States dollars have been translated in the following manner. Assets, being bonds, and liabilities, being primarily deferred revenue, have been translated effectively at historical rates. Earnings have been translated into Canadian dollars at the average rate prevailing through the year.

The foreign exchange gain or loss is reflected in the statement of earnings under other investment income (1979 loss – $134,587; 1978 gain – $254,066).

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of MICC Investments Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings, unrealized gain on stocks and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants
Toronto, Ontario

February 11, 1980

Transfer Agents

First Preferred Shares
National Trust Company, Limited

Second Preferred Shares
The Canada Trust Company

Common Shares
The Canada Trust Company

Registrars

First Preferred Shares
National Trust Company, Limited

Second Preferred Shares
The Canada Trust Company

Common Shares
Canada Permanent Trust Company

Auditors

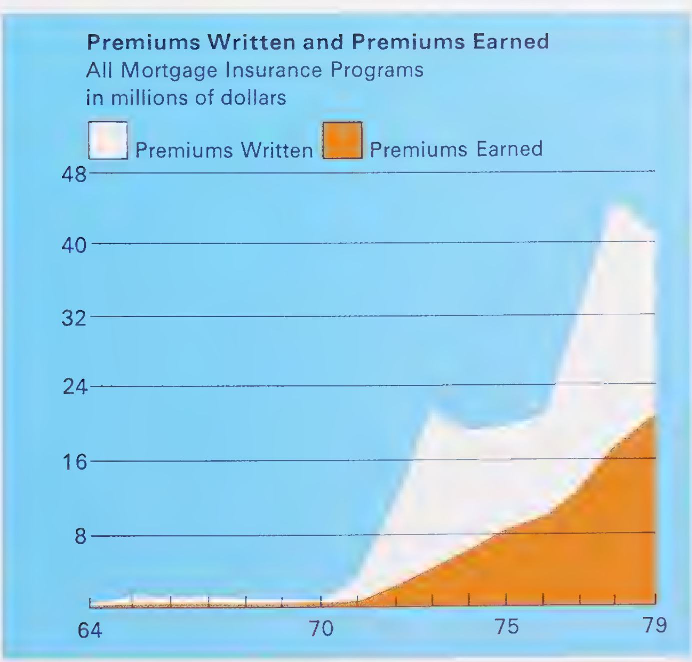
Coopers & Lybrand

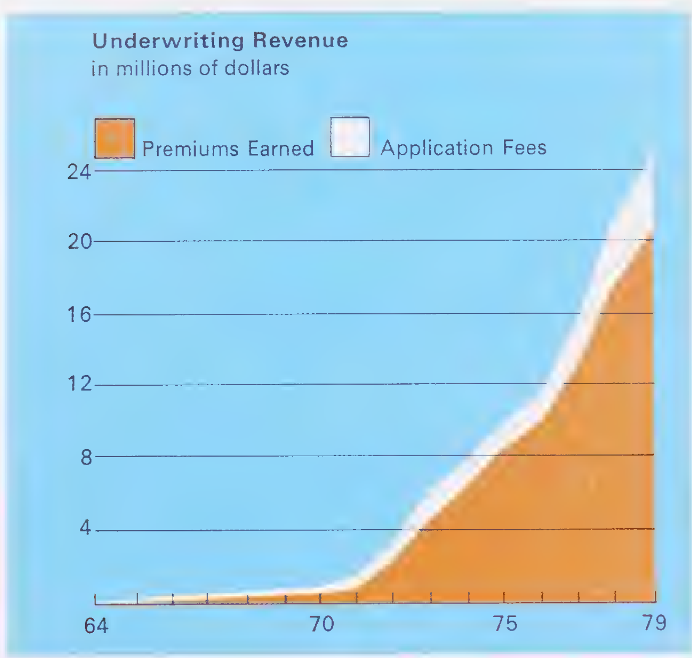
MICC Investments Limited

Historical financial statistics (Note 1)

	1979	1978	1977	1976	1975
					(,000's omitted)
Premiums written	**$ 40,846**	$ 44,385	$ 33,203	$ 20,177	$ 19,552
Premiums earned	**21,891**	17,786	12,813	9,846	8,294
Application fees and other	**3,455**	3,154	2,370	1,481	1,358
Underwriting revenue	**25,346**	20,940	15,183	11,327	9,652
Investment income	**29,661**	22,331	16,715	12,360	7,939
Claims losses	**28,200**	20,579	8,810	3,991	2,843
as a % of underwriting revenue	**111.26%**	98.27%	58.02%	35.23%	29.5%
Expenses	**10,267**	7,208	5,499	3,997	3,147
as a % of premiums written	**25.14%**	16.24%	16.56%	19.81%	16.09%
Net earnings	**15,667**	13,563	14,758	11,937	8,120
Shares outstanding (average)	**6,029**	5,720	5,716	5,711	5,711
Earnings per share (undiluted)	**1.62**	1.66	2.19	1.83	1.42
Total Assets	**339,758**	307,834	221,756	167,560	124,982
Return on total assets	**4.84%**	5.12%	7.58%	8.16%	7.59%
Shareholders' Equity	**176,023**	161,775	106,659	85,614	51,928
Return on common shareholders' equity	**9.28%**	10.11%	16.90%	17.70%	17.08%

Note: 1. Certain figures have been restated from those shown in previous annual reports to reflect current reporting procedures.





Contents

First Mortgage Programs

During 1979, MICC's volume of new business, as measured by the mortgage loans on which MICC has issued a commitment to insure, totalled $3.9 billion, compared to $4.9 billion in 1978 and $3.6 billion in 1977. Record high mortgage interest rates and a dramatic decline in mortgage loan approvals during the last quarter of 1979 contributed to the 20 percent decline in new business. Builders have been slow in taking up mortgage loans and housing starts ended up 13.4 percent below 1978 in spite of a substantial number of starts in December before the end of the MURB program.

This $3.9 billion in commitments is equivalent to $43.2 million in potential premiums. Home-ownership loans accounted for 74 percent of the total compared with 62 per cent in the previous year. Volume of new construction commitments declined 8 percent which is less than the reduction in all housing starts. Volume of existing housing commitments declined 14 per cent. Commitments to insure on rental properties totalled $300 million, less than half the level of 1978. Generally, more stringent underwriting criteria and, in some areas, market saturation contributed to the reduction in rental volume. The rental properties program contributed 10 percent of potential premiums in 1979 compared with 16 percent in 1978.

With respect to commercial and industrial properties, an unfavourable economic climate, uncertainties and high interest rates, contributed to a 44 percent reduction in commitments, i.e. $324 million. Commercial and industrial properties contributed 15 percent of potential premium in 1979 compared to 21 percent in 1978.

Commitments for vacation homes declined 25 percent during 1979 to $16 million from 1978's total of $22 million.

The average MICC insured residential loan (for both new and existing housing) on a per unit basis, amounted to $44,297 compared with $41,500 during 1978, an increase of 6.7 percent.

Second Mortgage Programs

The volume of second mortgage business totalled $7.4 million, 1 percent below the 1978 total. Homeownership loans were nearly $7 million, an increase of 26 percent over 1978, the other second mortgage loans being on rental and commercial properties.

Left to Right – J. D. H. Bergeron, A. D. Munro, J. E. Rohr, J. D. Hewitt, J. McAvoy, R. T. Ryan, D. C. Toms, G. W. Carpentier, F. D. Teatro, Claude Renaud.

Lease Guarantee Insurance Program

During the year, 96 lease guarantee commitments were issued for an aggregate insured rent of $32.7 million, compared to 161 commitments for an aggregate insured rent of $49.4 million in 1978. While commitments to insure declined during 1979, premiums written increased almost 20 percent to $1.5 million from $1.3 million in 1978; the year ended with commitments still outstanding representing $.7 million in potential premiums. The volume of lease guarantee insurance commitments issued during 1979 declined as a result of poor economic conditions for small business and the implementation of more restrictive underwriting guidelines to ensure proper risk selection.

New Home Warranty Insurance Program

Premiums earned under the Ontario and Quebec new home warranty programs amounted to $436,462 compared with $362,818 in 1978, an increase of 20 percent. Losses incurred under the program totalled $338,365 compared with $272,114 in 1977. Amounts paid to the Ontario Program exceeded the loss figure, but the excess is recoverable from the Program under the terms of the insurance agreement.

Excess Condominium Deposit Insurance Program

MICC has a program in Ontario which insures the deposits of condominium buyers before the condominium is registered when such deposits exceed the limits of $20,000 insured by the HUDAC warranty program.

During 1979, MICC insured approximately $22.5 million in excess deposits.

Premiums written in 1979 totalled $171,024; representing a substantial increase as compared to $3,004 in 1978.

Surety Bonding Program

During 1979 the Board of Directors approved an expansion of MICC insurance facilities to include surety bonding.

This specialized form of insurance guarantees the performance of a construction contract being undertaken by the applicant in favor of a property owner or developer in charge of the project.

The underwriting of this class of business has many similarities with mortgage insurance and is a natural extension of MICC's past history of involvement with construction and real estate development projects across Canada.

Specialist staff were recruited and operations began January 1, 1980.

Accepting the Community Service trophy from Gary Siegle (far left) Manager of the MICC Regina Office, is Gavin Koyl, President of The Regina Real Estate Association.

Industry Involvement

The Mortgage Insurance Company of Canada, through its staff, is directly involved with financial, building, real estate and other housing industry groups on the National, Provincial, and local levels.

We are proud of the fact that Mr. George Pennie, Manager, Business Development, was recently named 1979 Winner of the HUDAC Maple Leaf Award presented annually to the outstanding non-builder member of the Housing and Urban Development Association of Canada.

A significant number of MICC personnel belong to National, Regional or Local Boards or Committees of industry associations such as the Housing and Urban Development Association of Canada, the Urban Development Institute, the Canadian Real Estate Association, the Appraisal Institute of Canada and various lender associations and groups.

The MICC Community Service trophy presented each year to the C.R.E.A. Real Estate Board judged to have provided outstanding public service to the community during the year was awarded in 1979 to the Regina Real Estate Association.

Potential Premiums

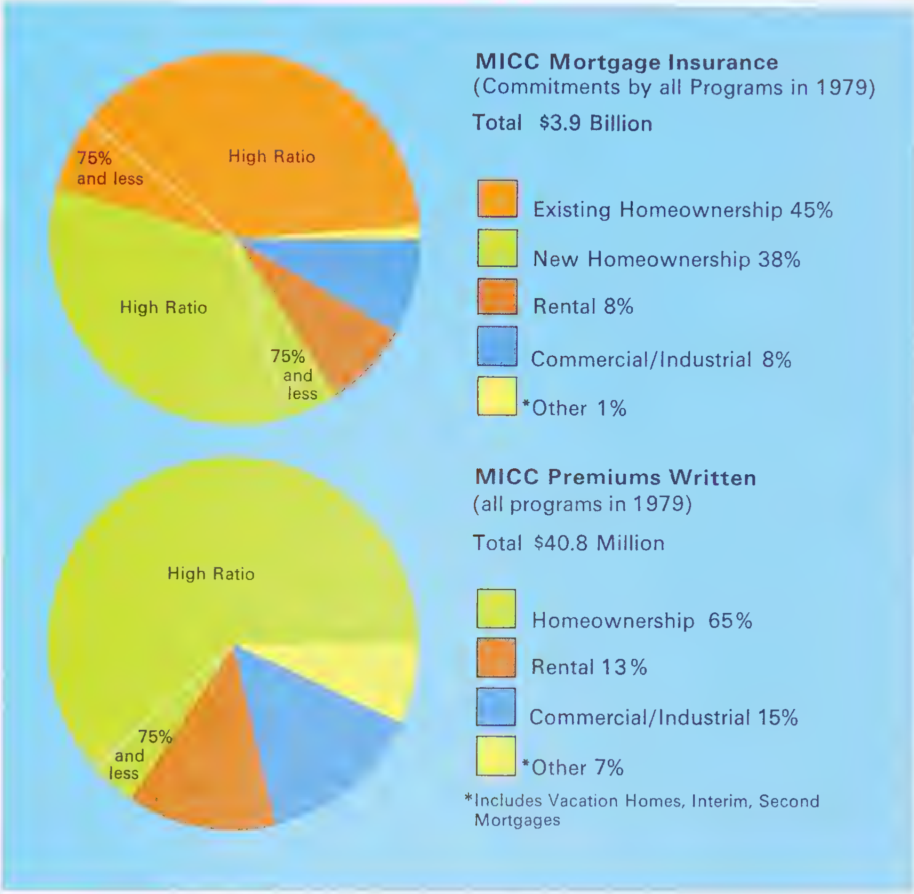
Potential premiums are the premiums, measured in dollars, which could be forthcoming on all business on which an MICC commitment to insure has been issued. Total potential premiums for all programs amounted to $46.0 million during 1979, a decrease of 23 percent from the 1978 total of $59.5 million; but slightly above the 1977 total of $44.5 million.

Outstanding Commitments to Insure

Not all loans on which MICC has issued a commitment to insure are fully advanced during the year. At the end of the year there is a substantial volume which should result in written premium in the following year.

As at December 31, 1979, commitments to insure in an amount of $1,958 million, with a potential premium of $23.6 million were outstanding.

Premiums Written
Total premiums written for all programs amounted to $40.8 million during the year an 8 percent decline over the previous year's total of $44.4 million. The decrease in net premium written during the year is less than the reduction in potential premium due to the fact that at the beginning of 1979 the amount of outstanding potential premium carried over from the previous year was $34.4 million. Much of these outstanding commitments became issued policies during the year. It takes a number of months for the amount recorded as potential premiums to be paid in and counted as premiums written. On average, 20 to 25 percent of potential premiums are not taken in as premiums written as the lending commitment will be cancelled or will lapse.



Premiums Written 1979	Premiums Written 1978	Programs	Potential Premium 1979	Potential Premium 1978
(,000's omitted)			(,000's omitted)	
$38,190	$42,138	First Mortgages – Total	**$43,193**	$56,163
		Homeownership Loans		
25,266	25,068	High Ratio	**29,202**	31,554
1,465	2,146	75% and less	**2,821**	3,488
		Rental Loans		
5,150	7,562	High Ratio	**4,054**	8,557
185	184	75% and less	**189**	410
		Commercial/Industrial Loans		
4,010	3,891	High Ratio	**4,234**	8,336
1,900	3,043	75% and less	**2,409**	3,439
214	244	Vacation Home Loans	**284**	379
184	187	Second Mortgages – Total	**240**	240
182	186	Homeownership Loans	**230**	164
2	—	Rental Loans	**3**	1
—	1	Commercial/Industrial Loans	**7**	75
1,508	1,264	Lease Guarantee Insurance	**1,594**	2,347
171	3	Condominium Deposit Insurance	**171**	3
793	793	New Home Warranty Insurance	**793**	793
$40,846	$44,385	**Total**	**$45,991**	$59,546

Defaults

The percentage of loans in default remained close to the 1% level during most of 1979, virtually unchanged from 1978. A default is considered to be a loan in arrears by three or more monthly payments. The default ratio is calculated from the monthly reports submitted by MICC approved lenders. On loans in excess of $500,000, lenders are asked to report when the account is only one month in arrears. The default ratio, which is the number of accounts in default divided by the number of insured loans, was 0.98% compared to 0.96% as of December 31, 1978.

The number of accounts in default is an advance indicator of potential claims. Indeed, a provision for losses in an amount of $14.4 million has been reserved for accounts in default on which claims are anticipated.

Default Ratios	**1979**	1978	1977	1976	1975
First Mortgage Insurance Programs					
Homeownership Loans					
High Ratio	**0.98%**	0.95%	1.02%	0.68%	0.72%
75% and less	**0.73**	0.71	0.56	0.26	0.23
Rental Loans	**2.16**	1.36	0.95	0.86	0.52
Commercial/Industrial Loans	**2.17**	1.85	1.57	0.85	0.75
Vacation Home Loans	**2.04**	2.39	1.05	0.31	—
Second Mortgage Insurance Programs	**0.71**	0.53	0.49	—	—
Overall Default Ratio	**0.98**	0.96	0.96	0.64	0.67

Losses on Claims Incurred
Losses are estimated at the earliest possible moment that sufficient information is available. The information used to establish the potential loss on a case is the estimated amount of the claim at an estimated date of settlement, less the appraised value of the real estate, plus the costs of disposing of the property. The actual settlement of a claim may occur many months after the establishment of the potential loss, and reserves are continually adjusted as additional information becomes available. In 1979, losses on claims incurred amounted to $28.2 million an increase of $7.6 million over 1978.

Losses in the fourth quarter amounted to $7.7 million compared to an average of $6.5 million per quarter over the first three quarters of the year. Most of the losses contributing to the fourth quarter increase are "unique" and in our view are not indicative at this time of a trend to a higher future level of losses.

Losses on home ownership loans represent 64 per cent of total losses. This is generally in line with new premiums written under these programs.

As for losses on rental apartment loans, we did experience an increase during the year, but are hopeful that losses in this category will moderate in 1980.

The average loss on high ratio house loans declined slightly from $9,200 per unit in 1978, to $8,600 during 1979.

Our lease guarantee program experienced an increase in losses, largely reflecting the increased volume of cases underwritten in the previous few years. Losses in 1979 were $939,782 compared to $560,443 in 1978.

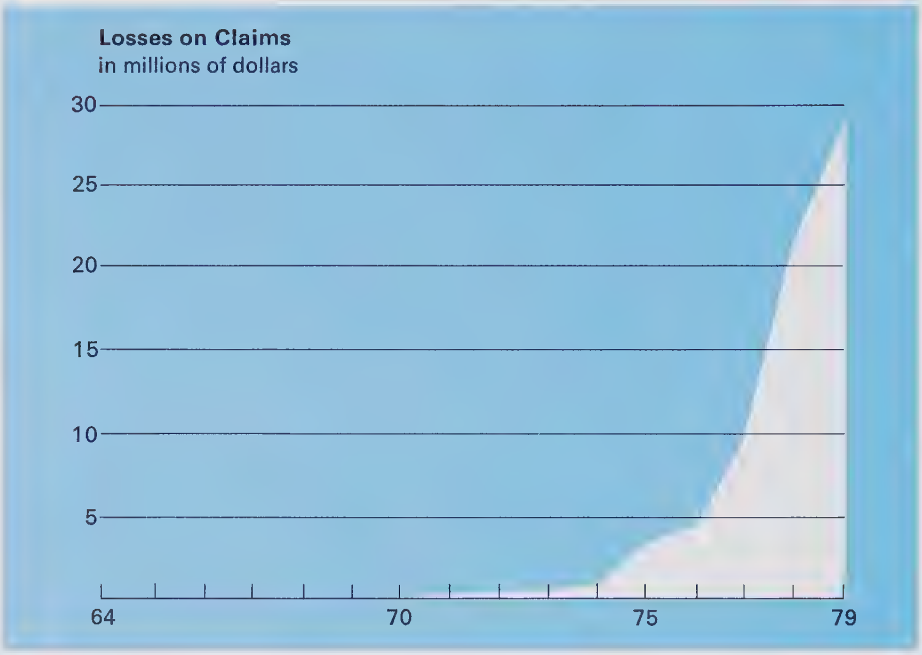
Claims Losses	1979	1978	1977	1976	1975
First Mortgage Insurance Programs					(,000 omitted)
Homeownership Loans					
High Ratio	**$17,437**	$14,502	$ 4,929	$ 1,719	$ 568
75% and less	**655**	846	72	52	—
Rental Loans	**5,807**	2,890	2,448	671	1,057
Commercial/Industrial Loans	**2,322**	1,437	966	1,068	139
Vacation Home Loans	**119**	18	—	—	—
Second Mortgage Insurance Programs	**136**	38	—	—	—
Total Mortgage Insurance Losses From Canadian Operations	**26,476**	19,731	8,414	3,510	1,764
Lease Guarantee Insurance Losses	**940**	560	161	83	22
Condominium Deposit Losses	**380**	—	—	—	—
New Home Warranty Losses	**338**	272	137	—	—
U.S. Reinsurance Losses	**66**	15	98	398	1,057
Total Claims Losses	**$28,200**	$20,579	$ 8,810	$ 3,991	$ 2,843

Real Estate

The settlement of mortgage insurance claims, in about 60% of all cases, involves the acquisition of real estate. MICC acquired 1,084 properties in 1979, valued at $49.7 million, compared with 742 properties worth $30.6 million in 1978.

During the year MICC disposed of 741 properties for $31.4 million and in addition, properties valued at $8.5 million have been sold with closings in the early months of 1980. At December 31, 1979, MICC held 786 properties with a book value of $42.5 million. This compares with 443 properties with a book value of $24.2 million at December 31, 1978.

Our sales achievement during the first three-quarters of the year kept pace with new acquisitions, but during the last quarter acquisitions outpaced sales by a significant amount. The company has developed an aggressive sales policy and we expect the disposal of acquired property to be accelerated during 1980. Part of our real estate disposal program offers attractive mortgage terms to purchasers. These mortgages are available for purchase by other investors. At the end of 1979 the mortgage portfolio amounted to $12.5 million.



Real Estate Activity	Single Family* No.	Single Family* Book value ($000's)	Rental No.	Rental Book value ($000's)	Commercial Industrial No.	Commercial Industrial Book value ($000's)	Total No.	Total Book value ($000's)
Held at December 31, 1978	392	$12,095	39	$4,566	12	$ 7,556	443	$24,217
Acquired During 1979	1,036	34,039	32	6,598	16	9,022	1,084	49,659
Sales and Adjustments During 1979	694	22,253	36	4,482	11	4,655	741	31,390
Held at December 31, 1979	**734**	**23,881**	**35**	**6,682**	**17**	**11,923**	**786**	**42,486**

Real Estate Holdings
as at December 31, 1979

Held Under 6 Months	370	12,885	1	137	8	4,921	379	17,943
Held 6-12 months	267	8,051	21	5,248	5	3,765	293	17,064
Held over 12 months	97	2,945	13	1,297	4	3,237	114	7,479
	734	**23,881**	**35**	**6,682**	**17**	**11,923**	**786**	**42,486**

In addition mortgages under foreclosure were held on 11 pieces of real estate for a total realizable value of $599,060.

Real Estate Holdings as at December 31, 1979	Single Family* No.	Single Family* Book value ($000's)	Rental No.	Rental Book value ($000's)	Commercial Industrial No.	Commercial Industrial Book value ($000's)	Total No.	Total Book value ($000's)
Newfoundland	4	122	1	19	—	—	5	141
Prince Edward Island	2	62	—	—	—	—	2	62
Nova Scotia	12	232	1	—	2	655	15	886
New Brunswick	26	653	13	458	2	1,010	41	2,121
Quebec	80	2,543	12	3,476	8	5,586	100	11,605
Ontario	445	14,466	7	2,154	5	4,672	457	21,292
Manitoba	26	618	—	—	—	—	26	618
Saskatchewan	18	481	—	—	—	—	18	481
Alberta	38	1,605	—	—	—	—	38	1,605
British Columbia	83	3,099	1	575	—	—	84	3,674
Total	**734**	**23,881**	**35**	**6,682**	**17**	**11,923**	**786**	**42,486**

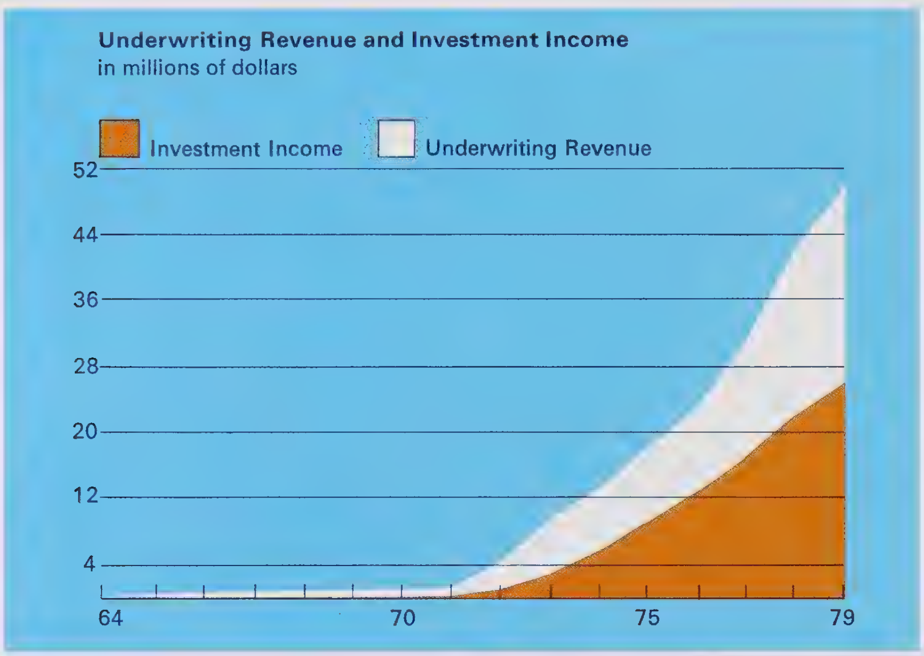
*Includes condominium (strata title) units.

Underwriting Policy

The year 1979 saw a continuation of the emphasis on refining our methods of underwriting. Given the slow economy and rapidly changing real estate markets, and to keep abreast of local market conditions, the structure of the underwriting department was changed. To support the regional offices across the country, senior head office underwriters were assigned to specific regions of the country. They worked closely with MICC regional offices, through constant communication and field visits. This emphasis on specialization permits better appreciation of regional differences and improves the underwriting process.

MICC studied the feasibility of using a point scoring system to assist in evaluating applications for single family house loans. It was decided to proceed with this project and a specific system is now being developed.

Beyond these projects, we work with lenders for an improvement in underwriting criteria and standards for insured lending.



Regional Offices and Lender Clients

As part of our continuing effort to increase our share of the market and to improve service to our lender clients, a sub-office was opened during the year in Chicoutimi, Quebec, reporting to the Quebec Regional Office.

MICC mortgage insurance is now widely accepted and the status of MICC approved lender was sought by 36 new lenders this year, bringing the total number of approved lenders and correspondents to 510.

Financial

Total shareholders' equity amounted to $152.9 million at December 31, 1979 compared with $153.4 million a year earlier. Policyholders' reserves, consisting of unearned premiums and additional policy reserves, increased to $146.4 million from $123.3 million at the end of 1978. In December 1979 the Department of Insurance advised mortgage insurers that a reduction in capital requirements, based on investment performance, was being allowed in respect of all mortgage insurance business. The reduction in the case of MICC is about 7% and applies to all business now in force and business subsequently written. The Department of Insurance have also advised us that they are continuing to study the capital requirements of mortgage insurers and a further revision is anticipated in 1980.

The changes in formulae for the earning of certain mortgage insurance premiums adopted by MICC Investments Limited in the last quarter of 1979 have not been adopted in the statutory financial statements of MICC. Application has been made to the Department of Insurance for approval of changes to the same effect and it is expected that changes will be approved for the 1980 fiscal year.

Investments

The environment for MICC's security portfolio investments proved to be generally favourable in 1979. Total investment income of $28.0 million was the highest in the Company's fifteen year history. Continued emphasis was placed on high quality and liquid assets, reflecting our concerns over growing economic instability in North America. Interest rates rose steadily throughout the year. In response to this, the bond portfolio holdings were held to shorter than five years in term and consisted primarily of Government of Canada Bonds. This both minimized deterioration in asset values and provided higher current yields.

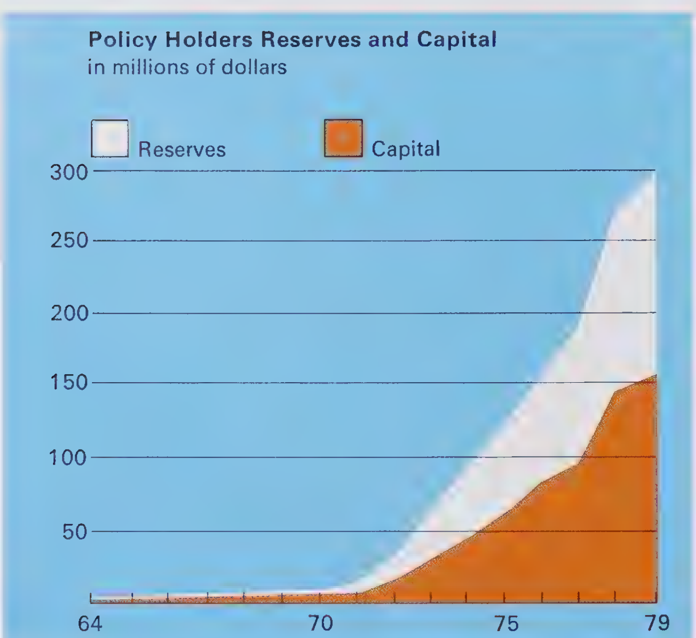
Equity investments as of December 31, 1979 represented 55% of invested assets, somewhat below the 59% held at this time last year. This reduction reflects higher yields available in interest bearing securities. The market value of the investment portfolio was 104.8% of book value at year end as compared to 106.6% in 1978. However, capital gains realized in 1979 through the sale of equity investments were $6.4 million, sharply above the $3.4 million realized in 1978. The table below is an asset classification of the portfolio.

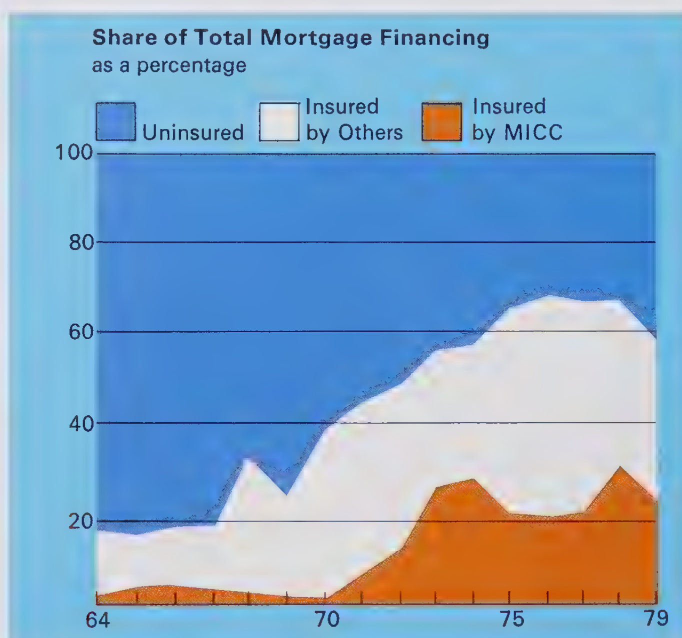
Classification	Cost December 31, 1979	% of Total 1979	% of Total 1978
	(,000's omitted)		
Cash	$ 1,697	0.7	0.6
Federal Government (under 3 years)	40,870	17.1	18.1
Money Market	11,545	4.8	4.3
Cash and Liquid Assets	54,112	22.6	23.0
Bonds (over 3 years)	52,433	22.0	17.7
Term Preferred	7,000	2.9	4.2
Sinking Fund Preferred	27,750	11.6	13.2
Conventional Preferred	33,882	14.2	13.6
Straight Preferred	68,632	28.7	31.0
Convertible Preferred	1,821	0.8	5.6
Common Stock	61,929	25.9	22.7
Common and Convertible Pfd	63,750	26.7	28.3
Total Equity	132,382	55.4	59.3
	$238,928	100.0	100.0

	1979	1978	1977	1976	1975
Average Values					
Homeownership Loans (High Ratio)	**$ 44,297**	$ 41,500	$ 38,251	$ 35,663	$ 33,263
New Construction (Per Unit)	**54,230**	49,602	45,635	42,342	38,647
Existing Homes (Per Unit)	**38,117**	39,396	34,399	30,275	28,118
Rental Projects (Per Loan)	**171,359**	191,553	170,375	148,157	157,000
Commercial/Industrial (Per Loan)	**246,319**	305,039	359,590	319,916	310,100
Vacation Homes (Per Unit)	**31,089**	33,472	21,412	26,615	24,578
GDS and TDS Ratios					
Gross Debt Service Ratio (note 1)	**24.1%**	23.9%	23.9%	24.8%	24.5%
Total Debt Service Ratio (note 2)	**30.5%**	30.1%	29.7%	30.3%	30.1%
Capital and Reserves (,000 omitted)					
Policyholders Reserves	**$146,395**	$123,322	$ 94,763	$ 72,171	$ 59,514
Capital	**152,876**	153,357	95,199	83,713	61,396
Total	**$299,271**	$276,679	$189,962	$155,884	$120,910
Approved Lenders and Correspondents					
Lenders	**454**	425	352	279	234
Correspondents	**56**	57	58	52	60
Total	**510**	482	410	331	294

Note 1 – GDS – (Gross Debt Service Ratio) the percentage of gross income used for mortgage payments and property taxes.

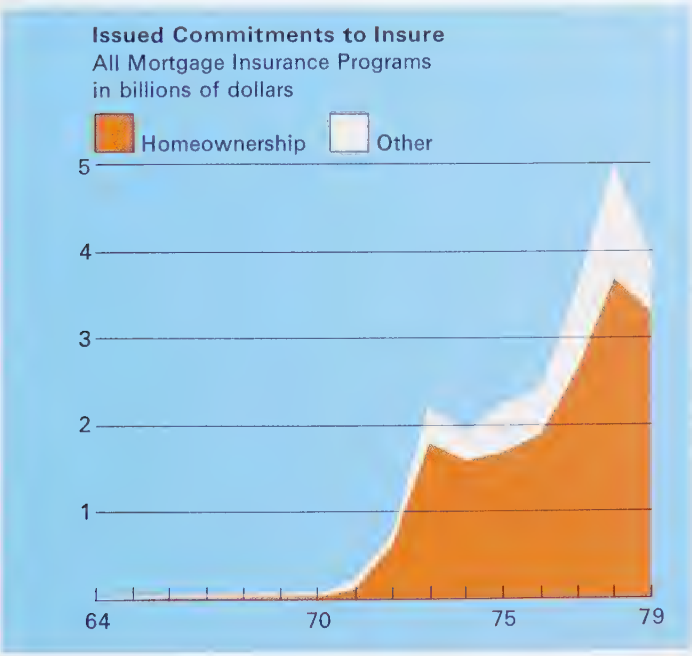
Note 2 – TDS – (Total Debt Service Ratio) the percentage of gross income used for mortgage payments, property taxes, and all other instalment debts.

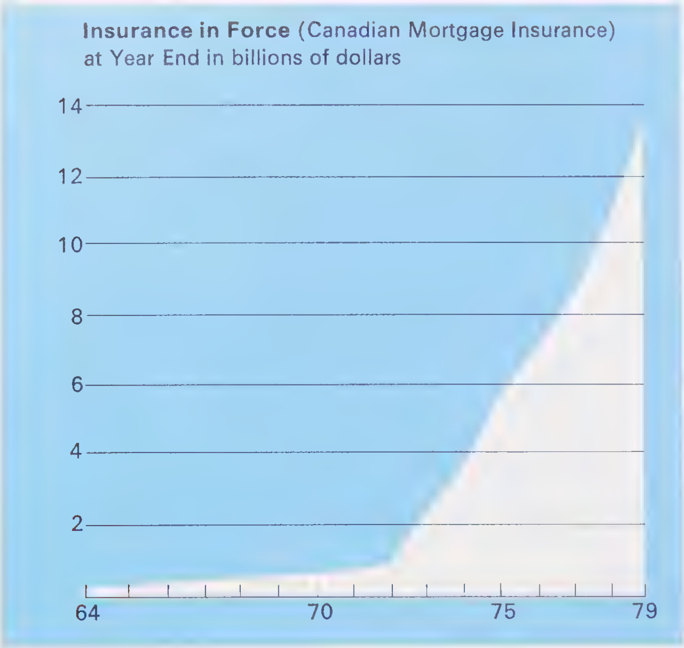




Issued Commitments to Insure	1979	1978	1977	1976	1975
(Canadian Business, data are gross)					(,000 omitted)
Mortgage Insurance					
First Mortgage Insurance Programs – Total	**$3,938,609**	$4,950,000	$3,642,613	$2,400,445	$2,217,974
Homeownership Loans					
High Ratio	**2,870,942**	3,183,407	2,349,001	1,528,189	1,447,704
75% and less	**427,378**	540,148	336,340	348,030	282,611
Rental Loans					
High Ratio	**280,898**	580,810	456,095	233,347	226,254
75% and less	**18,636**	41,929	59,906	21,189	25,935
Commercial/Industrial Loans					
High Ratio	**194,503**	361,490	237,330	121,622	121,193
75% and less	**129,899**	220,526	196,668	142,343	105,526
Vacation Home Loans	**16,353**	21,690	7,273	5,725	8,751
Second Mortgage Insurance Programs – Total	**7,385**	7,474	3,337	2,568	—
Homeownership Loans					
High Ratio	**6,560**	4,598	1,903	1,361	—
75% and less	**414**	941	1,234	1,207	—
Income Properties (Rental and Commercial/Industrial)	**411**	1,935	200	—	—
Lease Guarantee	**32,650**	49,440	33,799	33,214	24,237

Insurance in Force (Canadian Mortgage Insurance)					
At year end ($ Billions)	**13.5**	10.7	8.4	7.0	5.7





MICC Appraisals & Inspections Limited, a subsidiary of MICC Investments Limited, and an affiliate of The Mortgage Insurance Company of Canada, became operational on July 1, 1979. The Company provides a national appraisal and inspection service to MICC Approved Lenders and Correspondents as well as to the general public. In addition, the Company provides service to MICC on real estate taken back on claims and for underwriting and inspections of new business.

The Company is represented in each of the MICC Regional Offices by professionally qualified appraisers and inspectors who have received extensive training through the facilities of their professional accreditations and who have experience in their specialized field.

At the end of December, 1979, MICC Appraisals & Inspections Limited had a full-time staff complement of 85, consisting of 41 appraisers, 14 building inspectors and 30 support staff. The Company also avails itself of the services of contract inspectors and appraisers on an assignment basis.

Appraisal Services

MICC Appraisals & Inspections Limited will appraise all types of real estate to meet virtually any need.

Appraisals are necessary to estimate the value (market, insurance, expropriation, V-Day, etc.) of property for a variety of purposes such as:

- Mortgage Financing
- Taxation
- Assessment Contestation
- Feasibility Analysis
- Zoning Analysis
- Claims, etc.

For the six-month period ended December 31, 1979, 2,343 appraisals were completed, of which three-quarters were for clients other than MICC.

Property Inspection Services

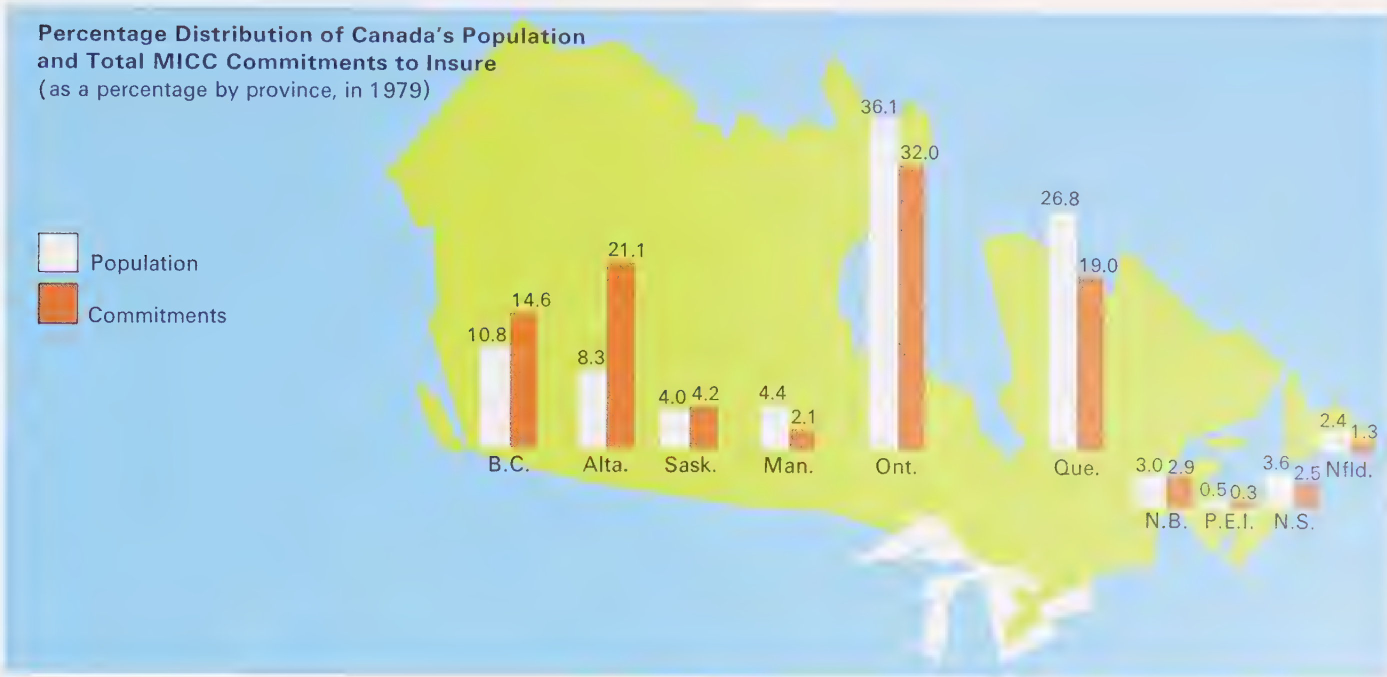
The Company provides a service to prospective purchasers, mortgage lenders, builders/developers and homeowners. Some of the types of property inspections offered are:

- Compliance inspection service for both new construction and renovations.
- Inspection service for prospective purchasers and vendors of both new and existing homes.
- Inspection and protective service for vacant properties, including property vacated through mortgage default and bankruptcy.

Approximately 37,000 inspections were conducted throughout the year, of which more than half were for clients other than MICC.

To date MICC Approved Lenders and Correspondents have been the main source of clientele. Indeed, the Company adds another dimension to the services now offered to these lenders by The Mortgage Insurance Company of Canada.

Left to Right – J. Shaw, B. K. Masterson, E. D. Smith,



Halifax
Suite 722, Cogswell Tower
Scotia Square
Halifax, Nova Scotia
B3J 2V9
Phone: (902) 429-0301
G. S. Morgan, Manager
F. E. Berrigan, Assistant Manager

Moncton
Suite 502, 860 Main Street
Moncton, New Brunswick
E1C 8T6
Phone: (506) 854-6350
R. A. Dryden, Manager
F. J. Leger, Assistant Manager

Quebec City
Suite 202, 1126 Chemin St. Louis
Place Sillery Nord
Québec, Québec
G1S 1E5
Phone: (418) 687-1185
M. Mathieu, Manager
R. Gendron, Assistant Manager

Chicoutimi
326, Des Saguenéens
Chicoutimi, Québec
G7H 3A4
Phone: (418) 543-3339
P. Robitaille, Manager

Montreal
Suite 832, 5 Place Ville Marie
Montréal, Québec
H3B 2G2
Phone: (514) 861-0568
A Baron, Manager
P. Sirois, Assistant Manager
Del Boudreau, Business Development Officer

Ottawa
Suite 606, 350 Sparks Street
Ottawa, Ontario
K1R 7S8
Phone: (613) 238-4753
S. J. Philippe, Manager
Warren Klages, Assistant Manager
Lorne Usher, Business Development Officer

Toronto
Suite 500, 401 Bay Street
Toronto, Ontario
M5H 2Y4
Phone: (416) 364-3700
E. R. Weber, Manager
Linda Belanger, Assistant Manager

Hamilton
Suite 400, 55 James Street South
Hamilton, Ontario
L8P 3A4
Phone: (416) 523-7700
G. Russell, Manager
D. F. Mercer, Assistant Manager

London
Suite 1802, 380 Wellington Street
London, Ontario
N6A 5B5
Phone: (519) 433-6177
D. R. Stewart, Manager
D. G. Marry, Assistant Manager

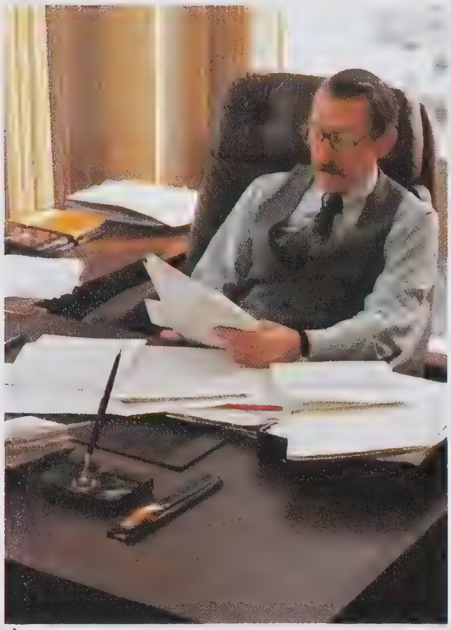
Winnipeg
Suite 1800, 330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4
Phone: (204) 943-0617
W. M. McComb, Manager
John Borland, Business Development Officer (Manitoba, Saskatchewan)

Regina
Suite 1720, 1920 Broad Street
Regina, Saskatchewan
S4P 3V2
Phone: (306) 527-3594
G. Siegle, Manager
D. McDowell, Assistant Manager

Calgary
Suite 918, 500-4th Avenue S.W.
Calgary, Alberta
T2P 2Y6
Phone: (403) 261,9663
G. J. Crepin, Manager
M. A. Chernichan, Assistant Manager
Harvey Zindler, Business Development Officer (Alberta)

Edmonton
460 Phipps McKinnon Building
10020 – 101A Avenue
Edmonton, Alberta
T5J 3G2
Phone: (403) 428-9307
P. D. R. Smith, Manager
E. Blasko, Assistant Manager

Vancouver
Suite 2520, 1066 West Hastings St.
Vancouver, B.C.
V6E 3X1
Phone: (604) 687-1531
J. G. McLean, Manager
R. North, Assistant Manager
Murray McGill, Business Development Officer (British Columbia)


△ Vancouver

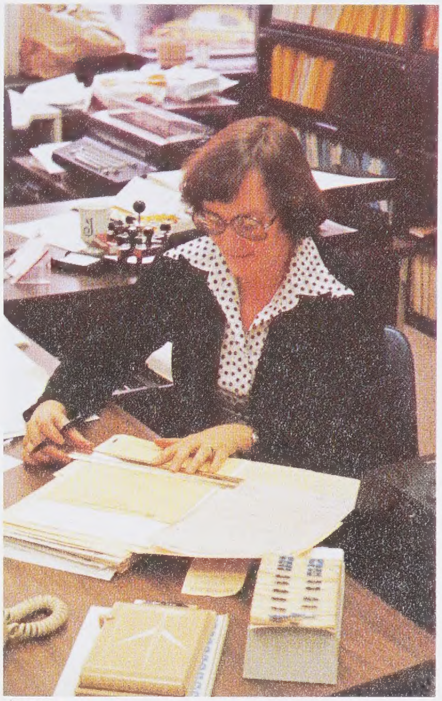

△ Montréal


△ Calgary

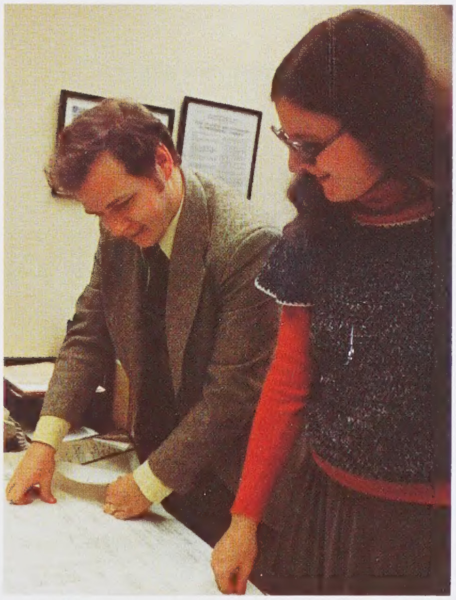

△ Moncton ▽ Winnipeg


△ Regina ▽ London

△ Toronto

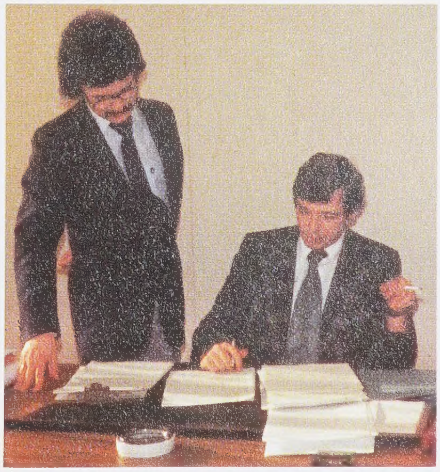


△ Edmonton



△ Halifax

△ Chicoutimi



△ Québec

▽ Ottawa

▽ Hamilton

MICC Investments Limited

Corporate Planning

J. D. Hewitt, Director

MICC Appraisals & Inspections Limited

B. K. Masterson, General Manager

J. Shaw, Assistant General Manager, Chief Appraiser

E. D. Smith, Assistant General Manager, Chief Inspector

The Mortgage Insurance Company of Canada

R. T. Ryan, President

J. McAvoy, Senior Vice-President

R. G. Bowden, Executive Assistant to the President

Accounting

D. C. Toms, Vice-President Finance

G. K. Sutherland, Manager

Administration and Personnel

F. D. Teatro, Director

J. W. Stewart, Manager

L. Crowder, Manager Data Processing

M. E. Sparkes, Assistant Manager, Payroll and Personnel

G. J. Schnarr, Assistant Manager, Administration

Business Development

Claude Renaud, Director

George J. Pennie, Manager and Business Development Officer (Ontario)

Claims and Real Estate

A. D. Munro, Director

M. L. Stein, Manager

J. J. Trail, Assistant Manager

R. Hulley, Chief Real Estate Officer

C. E. Madden, Real Estate Consultant

Insurance Services

M. E. Mallich, Manager

Investments

J. E. Rohr, Investment Officer

Legal

J. D. H. Bergeron, Legal Counsel

Surety

J. C. W. Thompson, Manager

G. Kuehne, Assistant Manager

Underwriting

G. W. Carpentier, Vice-President and Chief Underwriter

C. E. Shoemaker, Manager

A. G. Lorimer, Assistant Manager, Lease Guarantee

P. W. Keates, Assistant Manager, Mortgage Underwriting

401 Bay Street, Toronto, Ontario M5H 2Y4 (416) 366-6231

MICC